

**BUDGET HEARING OF THE BOARD OF MANAGERS
OF SPECIAL IMPROVEMENT DISTRICT #1
OF THE RIO GRANDE WATER CONSERVATION DISTRICT
August 28, 2019, 6:00 p.m.
Rio Grande Water Conservation District Conference Room
Alamosa, Colorado 81101**

Present: Brian Brownell, President; Carla Worley, Vice-President; Jake Burris Secretary/Treasurer; Jamie Hart, BOM; Miguel A. Diaz, BOM; Sheldon Rockey, BOM; Clay Mitchell, BOM; Chris Miner, BOM; Tony Holcomb, BOM; Asier Artaechevarria, BOM; and Brian David, Ex-Officio.

Staff and Consultants: Pete Ampe, Hill & Robbins P.C.; Cleave Simpson, General Manager; Linda Ramirez, Program Assistant; Amber Pacheco, Program Manager; Clinton Phillips, Davis Engineering; Michael Carson, Database Administrator; and April Mondragon, Administrative Assistant.

Guests: Mike Kruse, Lyle Nissen, Erin Nissen, Greg Higel, Willie Myers, Ernie Myers, Craig Miner, Sheena Moran, Les Alderete, Dennis Beiriger, James Beiriger, Deb Sarason, David Hofmann, Dee Greemand, Dale Barte, Judith Jolly, Peggy Godfrey, Craig Cotton, Amy Kunugi, Wayne Schwab, Lynn McCullough, Lana Anna Archie, Darin Schepp, Mirko Kruse, Keith Holland, Charlie Versaw, Mason Brown.

Meeting Called to Order

President Brownell called the meeting to order at 6:04 p.m. A quorum was present. The Pledge of Allegiance was recited.

Approval of the Agenda

President Brownell asked for changes or an approval of the agenda. A motion was made by Jamie Hart to approve the agenda as presented. The motion was seconded by Asier Artaechevarria and unanimously approved.

Budget Hearing

President Brownell opened up the budget hearing. Pete Ampe provided clarification of the purpose of the hearing.

Public Comment

President Brownell asked for public comment. Sheena Moran presented a power point presentation titled "Objection to the 2020 Budget", copy attached. Ms. Moran highlighted a few points from the Subdistrict No. 1 Plan of Water Management. Ms. Moran reported receiving the draft budget two (2) days prior to this budget hearing. Ms. Moran stated they object to the increase of the variable fee and object to the adoption of the budget.

Pete Ampe confirmed written submissions of the objection as well as a request to change the sustainability standard of Subdistrict 1.

Craig Cotton was present and addressed the Board regarding the State Engineers view of changing the sustainability metrics. Mr. Cotton reported talking to Kevin Rein recently and he stated the sustainability metric in place is part of the Subdistrict No. 1 Plan of Water Management which was approved by the State Engineer as well as the Supreme Court, therefore is the law and must be met. Mr. Cotton explained how the process of attempting to get the sustainability process changed, however he and the State Engineer advised against it.

Ernie Myers addressed the Board on behalf of NEWUA (North East Water Users Association). Mr. Myers questioned the Santa Maria and San Luis Valley Irrigation District ending balances and budgeted amounts for 2019. Mr. Myers asked why the administration fees remained the same but the total funds were different. Mr. Myers stated the budget contained many holes and NEWUA objects to the adoption of the budget.

Lynn McCullough commented and encouraged the Board to raise the variable fee to \$150 and stated the Subdistrict should have programs in place to justify raising the fee. Mr. McCullough stated he felt raising the fee was the only option the Subdistrict has in order to reduce pumping which he felt the fee is minimal in comparison to a mandatory shut down of wells.

Mike Kruse voiced his opinion on why Subdistrict No. 1 was formed and said the Plan of Water Management is failing. Mr. Kruse provided the vision of the Plan of Water Management and stated there can be no over pumping and no variable fee income for the next ten (10) years. Mr. Kruse commented on being fair and equitable, the goal of the Plan of Water Management, the CREP program and the budget.

Les Alderete with NEWUA was present and asked for clarification on a few items on the presented budget. Mr. Alderete also stated he agrees with the comments made by Ernie Myers.

Charlie Versaw addressed the Board with concerns regarding Subdistrict No. 1 policies. Mr. Versaw talked about prevent plan, fallow programs and questioned a half circle fallow program. Mr. Versaw also commented on the use of ditch/surface water in the Subdistrict policy as well as recharge ponds.

Clinton Phillips provided an explanation of the presented credit and pumping projections and explained how he determined the estimations. Mr. Phillips highlighted the number of wells which need to be taken out of production as well as the number of acre feet needed to recover the aquifer.

Pete Ampe suggested the Board present, review and discuss the 2020 conservation programs as well as the admin, CREP and variable fees. Board discussion was held on the potential changes to the Subdistrict No. 1 conservation programs and the funding.

President Brownell requested the Board to review the 2021 budget; discussion was held. Sheldon Rockey stated there may be a new well program and explained how it may operate.

Keith Holland voiced his concerns over raising the variable fee and provided the Board with his suggestions.

Sheena Moran addressed the Board and voiced budget concerns. Pete Ampe stated no one has to pay Subdistrict fees if they do not want to. Mr. Ampe stated they could get an augmentation plan.

Mirko Kruse reported the best tool the Subdistrict has to reduce pumping and to reach sustainability is to raise the variable fee.

Mike Kruse commented on the escrowed water being stored in the reservoir.

Ernie Myers stated the most sustainable fee is the CREP fee, not the variable fee.

Mike Kruse addressed the Board and stated local cost share funding meant the mandatory funding and did not mean funding bonuses.

President Brownell asked for any last comments, there were none. The hearing was closed.

Vote on the 2020 Budget

President Brownell asked for the vote on the half circle fallow program. A motion was made by Clay Mitchell to fund \$120,000 for the half circle fallow program. The motion was seconded by Sheldon Rockey. Jake Burris opposed; motion passed.

A motion was made by Chris Miner to allow 15% of the variable fee income to CREP future payments. The motion was seconded by Jake Burris. Sheldon Rockey and Asier Artachevarria opposed, motion passed.

A motion was made by Jamie Hart to set the 2020 Administration Fee at \$3.25 for the coming year. The motion was seconded by Sheldon Rockey and unanimously approved.

A motion was made by Tony Holcomb to set the 2020 CREP fee at \$1.00. The motion was seconded by Jake Burris. Asier Artachevarria, Sheldon Rockey and Miguel Diaz opposed the motion, the motion was approved.

A motion was made by Carla Worley to approve the 2019 Budget as amended. The motion was seconded by Jake Burris. Asier Artachevarria and Sheldon Rockey were opposed. The motion was approved.

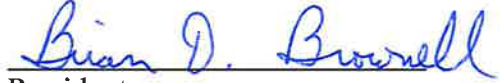
A motion was made by Carla Worley to set the 2021 Water Value at \$150 per acre foot. The motion was seconded by Jamie Hart. Asier Artachevarria, Sheldon Rockey and Miguel Diaz opposed. The motion was approved.

Next Meeting

The next quarterly meeting is scheduled for September 3, 2019 at 2:00 p.m.

Adjournment

The meeting was adjourned at 9:45 p.m.



President



Secretary/Treasurer



Objection to the 2020 Budget

AUGUST 28, 2019



▶ Objective:

- ▶ The Objective of the Plan is to reduce the average amount of consumptive use of groundwater withdrawals by up to 80,000 acre feet per year, in part, by retiring 40,000 acres.
- ▶ The Board shall implement CREP.
- ▶ The Board may implement certain other improvements.

The Plan of Water Management

4.2 The Subdistrict Plan is based on an economic-based incentive mechanism to reduce water consumption and encourage responsible water management through implementation of Plan improvements.

- ▶ The Plan is based on an economic based ***incentive*** mechanism.
 - ▶ Economic incentives are what motivates us to behave a certain way. Economic disincentives discourage behavior.
 - ▶ An economic incentive is a pay check.
 - ▶ An economic disincentive are taxes

- ▶ The BOM may adjust the program of fees and charges, ***within the economic means of the irrigators, in order to provide funding.***

groundwater withdrawals in the amount of 80,000 acre-feet per year has occurred, the Board of Managers shall adjust the program of fees and charges, within the economic means of the irrigators, in order to provide funding to obtain a further reduction in groundwater consumption during the subsequent years or to take such other steps that may be required to make measurable progress toward the goal(s).

The Plan

- ▶ Annual revenue to fund the Plan must be raised in a fair and equitable manner.


4.1 The Subdistrict is entitled to raise funds by assessment of reasonable Annual Service and User Fees to carry out the purposes set forth in this Plan. The Subdistrict therefore intends to finance its costs by raising sufficient annual revenue, in a fair and equitable matter, through the imposition of variable Annual Service and User Fees (or assessment) as described below.

- ▶ The methodology and procedure for the annual budget is set out in Appendix 4 and incorporated in the Plan.

3.4.9 The methodology and procedure for making the annual accounting described above, including the methodology to calculate injurious depletions to surface water rights and their replacement, is fully set forth in Appendices 1 - 5, attached hereto and incorporated hereby.

Objection to Adoption of Budget

After final judicial approval of the Water Management Plan, and on or before August 1 of each successive year, prior to adopting the budgets provided for in paragraph 1, the Subdistrict shall make available to any interested party a preliminary draft of the proposed budget and with all available supporting information describing or justifying the expenditures and revenues contemplated and the specific fees or assessments or other charges proposed for the next year. The Subdistrict shall provide interested parties with the opportunity and sufficient time to analyze the information, to meet with District and Subdistrict representatives concerning the proposed budget, to present comments or evidence to the Subdistrict at its September quarterly meeting where the budget will be submitted for approval. Further, interested parties may appear before the District

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- ▶ The Plan requires that the Subdistrict ***shall impose only*** such fees or assessments, and in such amounts, as are authorized or justified by its annual budget.

2019 Budget

REVENUES: VARIABLE FEES *

	CURRENT 2019	Committed	Draft of 2020	Future 2020 Budget to be Collected in 2021		
	Approved Budget	as of 7/8/2019	Assessed In 2019	100	130	150
	\$ 75	\$ 75	\$ 90	\$	\$	\$
Variable Fee Assessed Pumping	4,959,154.28	4,959,154.28	4,696,434.00	5,218,260.00	6,793,738.00	7,027,390.00
Variable Fee Assessed Pumping with 10% Reduction			4,226,790.60	4,696,434.00	6,105,364.20	7,044,651.00
Variable Fee Assessed Pumping with 20% Reduction			3,757,147.20	4,174,608.00	5,426,990.40	6,261,912.00
Inclusion Contract Fee (well and surface water)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Total Variable Fee Revenue	4,960,154.28	4,960,154.28	4,697,434.00	5,219,260.00	6,784,738.00	7,828,390.00

TOTAL-AVAILABLE VARIABLE FEE FUNDS	8,857,817.04	8,857,817.04	5,418,994.3	5,940,820.3	7,506,298.3	8,549,950.3
TOTAL-AVAILABLE VARIABLE FEE FUNDS W/ 10% REDUCTION			4,949,350.9	5,418,994.3	6,827,924.5	7,767,211.9
TOTAL-AVAILABLE VARIABLE FEE FUNDS W/ 20% REDUCTION			4,479,707.5	4,897,168.9	6,149,550.7	6,984,472.9
Difference in Revenue based off of \$90 vs other VF Increment			0.00	521,826.00	2,087,304.00	3,130,956.00
				469,643.4	1,408,990.2	999,286.8
				417,460.8	1,252,982.4	894,921.6

EXPENDITURES: VARIABLE FEES *

Water Management						
Santa Maria Reservoir Company Contracts	1,230,000.00	1,230,000.00	1,230,000.00	1,230,000.00	1,230,000.00	1,230,000.00
San Luis Valley Water Conservancy District						
San Luis Valley Irrigation District	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Forbearance Agreements	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00

CREP - VF						
CREP One Time Signup Incentives	959,154.28	484,472.50	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00
CREP - Focus Area	399,277.50	263,377.50				
CREP \$25/acre Additional Gap Incentive	65,000.00	59,170.00	725,000.00	725,000.00	725,000.00	725,000.00
CREP \$50/acre Annual Surface Water Recharge Incentive	600,000.00	606,174.50				

Conservation						
RCPP-Incentive Grants (funding projects to reduce consumption)	150,000.00	100,000.00	100,000.00			
Research Projects (recharge, agronomy)	50,000.00		50,000.00	50,000.00	50,000.00	50,000.00
Purchase and Expenses for Land and Water Rights	0.00					
Land Fallow Program-incentives paid for temporary,	500,000.00	459,236.00	500,000.00	500,000.00	500,000.00	500,000.00
Appeals	40,000.00	117,145.12	60,000.00	60,000.00	60,000.00	60,000.00
Escrow For Future CREP Payments	3,593,825.00	3,593,825.00				

Total Variable Fee Expenditures	8,137,256.8	7,463,400.6	5,215,000.00	5,115,000.00	5,115,000.00	5,115,000.00
ENDING BALANCE: VARIABLE FEES W/10% REDUCTION			(265,649)	303,994	1,712,924	2,652,211
ENDING BALANCE: VARIABLE FEES W/20% REDUCTION			(735,293)	(217,833)	3,084,551	1,869,472
ENDING BALANCE: VARIABLE FEES	721,560.3	1,394,416.42	203,994.3	825,820.3	2,391,298.3	3,434,950.3

thereto. The total Variable Fee for a given year shall be limited to the amount shown by specific items in the budget as required to provide sufficient revenue for that year for the Subdistrict improvements specified in the budget, including permanent retirement and/or annual fallowing of the required acreage, protection of senior surface water rights and necessary infrastructure improvements.

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Fees

- ▶ Administrative Fee
- ▶ CREP Fee
- ▶ Variable Fee


c. The budget shall specifically describe the revenues required to pay for each of the planned expenditures, and the nature and amount of each of the specific fees or assessments proposed to generate such revenues. If any specific fees or assessments are planned to be allocated to a specific planned expenditure, the budget shall identify the planned allocation. The total Administrative Fee charged by the District or Subdistrict for a given year shall be limited to the amount shown by specific items in the budget as required to fund the operations of the Subdistrict and to repay any sums

advanced by the District during the formation process. The total CREP Fee charged by the District or Subdistrict for a given year shall be limited to the amount shown by specific items in the budget as needed to fund the local cost share components of a CREP Program designed to retire land in the Subdistrict and to fund any additional incentive payments related thereto. The total Variable Fee for a given year shall be limited to the amount shown by specific items in the budget as required to provide sufficient revenue for that year for the Subdistrict improvements specified in the budget, including permanent retirement and/or annual fallowing of the required acreage, protection of senior surface water rights and necessary infrastructure improvements.

Does not allow
for an escrow.



Does not
include CREP
incentives.



The total CREP

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